

**EXHIBITS**

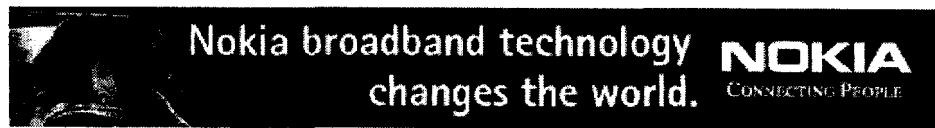
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## **EXHIBIT A**

### **News Articles**

**Exhibit A-1**

**“AT&T and Cingular Commit to GSM”**

**AT&T and Cingular commit to GSM**

*By Ray Le Maistre, Total Telecom*

30 November 2000

Great news for GSM roamers. Both AT&T Wireless and Cingular Wireless - a joint venture of BellSouth and SBC Communications - are to add GSM capabilities to their U.S. networks.

And that's significant news for the whole mobile world, and particularly good news for Lucent and Nortel. Between them they have snapped up the major contracts to supply AT&T with the core infrastructure that will GSM-enable its network and help AT&T migrate to GPRS and EDGE capabilities. Lucent is to supply GPRS-ready GSM base stations, while Nortel will supply the U.S. giant with core network IP capabilities that will allow the provision of so-called "wireless Internet" services.

"The main reason for adopting GSM is that it will allow us to offer faster data speeds to our customers sooner than we would otherwise have been able to do so," said Diane Saffioti, an AT&T Wireless spokesperson.

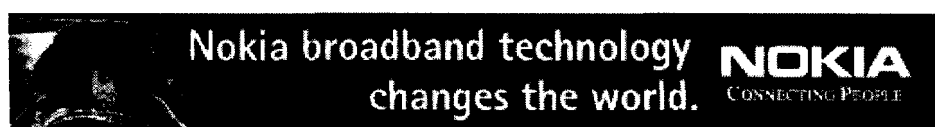
But this does not mean that AT&T is abandoning its existing technologies. Its TDMA (time division multiple access) and CDPD (cellular digital packet data) networks "will continue to be supported, maintained and expanded, as needed, to deliver the reliable, high-quality, second-generation voice and data services that have made AT&T Wireless an industry leader," an AT&T release pronounced.

Cingular, a TDMA operator, will find the transition to high-speed converged services easier with a GSM overlay, as this offers a migration path to EDGE (enhanced data for GSM evolution) for voice and data transmission.

Initially, though, the greatest impact will be on roaming mobile users. The 400 million or so existing GSM users worldwide will be able to roam directly onto AT&T's national network (once roaming agreements are set up), so cutting out the oft-required frustration for those without dual-band phones to hire an additional handset when visiting the U.S.

Understandably, GSM's advocates are cock-a-hoop. "Five years since the first GSM network was launched in North America, the GSM Association welcomes AT&T's announcement that it plans to use the evolved GSM platform," said Jim Murrell, vice president of business development at Georgia-based wireless operator Powertel, and chairman of the GSM Association's North America branch. "AT&T is a member of the Association and we look forward to working with them in advancing GSM with us on both a global level and in particular with our GSM North American Interest Group, which is made up of more than 25 operators that currently provide services in the U.S. and Canada."

Just what this will mean for the 25+ existing localized GSM operators in the U.S. is unclear. Indeed, the decision by AT&T and Cingular may have been hastened by Deutsche Telekom's proposed acquisition earlier this year of Voicestream, a growing U.S. GSM operator. With Telekom's might behind it, Voicestream may have been a threat to the big wireless players, and could have made a serious play for much of the roaming traffic from business visitors to the U.S. - and roaming corporate users are a valuable source of revenue for mobile operators.



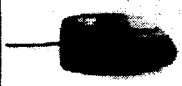
**Exhibit A-2**




**“T-Online Posts Nine-Month Loss”**

**Breaking News**  
FROM A.P.

**The New York Times**  
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November 8, 2000

## T - Online Posts Nine - Month Loss

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By **THE ASSOCIATED PRESS**

**Filed at 12:05 p.m. ET**

DARMSTADT, Germany (AP) -- Europe's largest Internet service provider, T-Online International AG, said Wednesday it posted a loss for the first nine months of the year, citing a flat-rate billing plan that ate into German profits.

T-Online said preliminary figures indicated it lost 14.4 million euros (\$12.4 million) in the first nine months of 2000 compared with a profit of 14.2 million euros last year.

Nine-month sales at the Darmstadt-based company rose 86.5 percent to 542.6 million euros (\$466.6 million) from 291 million euros a year earlier.

The figures include an increase of 31.6 million euros (\$27.2 million) from revenues from newly-acquired foreign subsidiaries such as France's Club Internet.

That still fell short of analyst expectations, which forecast revenues of between 548 million euros and 551 million euros for the company, a Deutsche Telekom spin off that went on the stock market in April.

The news pushed T-Online shares down 2.24 percent in Frankfurt trading.

Unadjusted for the sale of T-Online's share in Comdirect, an online brokerage, the company saw a loss of 53.5 million euros (\$46

million) for the nine-month period. That disappointed analysts, who were expecting a loss of between 42 million euros and 49 million euros,

The company said it shifted to a flat rate user fee in some instances to retain and attract customers.

Monthly usage time increased to 501 minutes per customer in the period. And while T-Online did not give previous figures for comparison, it said that more customers were shifting away from paying per minute.

The number of T-Online users increased 83 percent over the first nine months to 7 million people.

T-Online has been aggressively expanding throughout Europe this year, including September's purchase of Spanish rival Ya.com Internet Factory for 550 million euros (\$473 million).

T-Online was recently rocked when former chairman Wolfgang Keuntje quit in August, apparently after a disagreement with Deutsche Telekom chief executive Ron Sommer about how much to pay for Britain-based Internet service provider Freeserve PLC. The two companies were in partnership talks that did not pan out.

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**EXHIBIT B**

**Members of DTAG Supervisory Board**

### Current Members of DTAG's Supervisory Board

More than half of the members of the current Supervisory Board of Deutsche Telekom AG are either government officials or have close ties with the German government. The names of these individuals appear in italic type, along with any necessary commentary concerning their relation to the German government:

- Dr. Hans-Dietrich Winkhaus (Chairman), Chairman of the Management Board of Henkel KgaA
- *Rudiger Schulze (Vice-Chairman), Member of the Central Executive Committee of the German Postal Union*
  - The Postal Union is very close to the German government's ruling Social Democrat Party.
- Gert Becker, Former Chairman of the Management Board of Degussa AG
- *Josef Falbisoner, Chairman of the Deutsche Postgewerkschaft Trade Union, Bavarian District*
  - This union is very close to the German government's ruling Social Democrat Party.
- Dr. Hubertus von Grunberg, Chairman of the Supervisory Board of Continental AG
- Dr. sc. techn. Dieter Hundt , Managing Shareholder of Allgaier Werke GmbH & Co. KG; President of the National Union of German Employers Associations
- *Rainer Koch, Chairman of the Works Council of DeTeImmobilien*
- Dr. h.c. Andre Leysen, Chairman of the Supervisory Board of GEVAERT N.V.
- *Waltraud Litzenberger, Chair of the Works Council of DTAG Branch Office Bad Kreuznach*
- *Michael Loffler, Chair of the Works Council at Leipzig Branch Office 1, Deutsche Telekom AG*
- *Hans-W. Reich, Speaker of the Management Board, Kreditanstalt fur Wiederaufbau ("KfW")*
  - the KfW is the vehicle through which the German government holds a large part of its stake
- *Rainer Roll, Vice-Chairman of the Central Works Council at Deutsche Telekom*
- *Wolfgang Schmitt, Head of Freiburg i.B. Regional Directorate, Deutsche Telekom*

- Prof. Dr. Helmut Sihler, Chairman, Member of the Shareholders' Committee of Henkel KgaA
- *Michael Sommer, Vice Chairman of the Deutsche Post Gewerkschaft (trade union)*
- *Ursula Steinke, 1995 Chair of the Works Council at DeTeCSM Northern District Service and Computer Center*
- *Prof. Dr. h.c. Dieter Stolte, Director General of the Zweites Deutsches Fernsehen ("ZDF") broadcasting organization*
  - The ZDF is administered jointly by the German States.
- Bernhard Walter, Former Chairman of the Management Board of Dresdner Bank
- *Wilhelm Wegner, Chairman of the Central Works Council at Deutsche Telekom*
- *Prof. Dr. Heribert Zitzelsberger, State Secretary in the Federal Finance Ministry (Bundesministerium der Finanzen, or "BMF")*

## **EXHIBIT C**

**Position Paper of the Federal Ministry of Economics and Technology (“BMWi”)  
(English translation prepared by the BMWi)**

# **Fundamentals of telecommunications**

## **1. Preliminary remarks**

Since the complete opening of the telecommunications market at the beginning of 1998, competition in Germany in this sector has developed in a very positive way. In Germany sector-specific regulation thus has proved to be an adequate instrument for the transition from a monopoly to competition. The Federal Ministry of Economics and Technology (BMWi) is confirmed in its assumption by the reports of the Monopoly Commission and the Regulatory Authority for Telecommunications and Posts (RegTP).

Due to the growing competition intensity, existing market-dominating positions are gradually being abolished and thus the regulation intensity is expected to be reduced in important parts of the telecommunications field.

In view of the extremely positive market development in Germany and the change in the international competition environment (international mergers, globalisation, commitment of large foreign firms in Germany), the BMWi is at present examining whether and in how far there exists overregulation that must be abolished by means of the modified application of rules in the short term or through the amendment of the legal framework in the medium term (end of 2002/ beginning of 2003). Within the framework of this examination, especially the experiences of other countries whose markets have been open for a number of years must be taken into account.

In the course of the review of the national legal rules, the present discussion on new provisions at the European level (review discussion) must also be taken into consideration.

Against this background, the BMWi is constantly examining the need for action, but at present sees no reason to change the national legal framework.

## **2. Evaluation of the recommendations of the Monopoly Commission (cf. Annex)**

**The positions regarding the assessments and recommendations of the Monopoly Commission. The individual positions reflect the present discussion in the BMWi.**

**Ad numbers 70 to 72:** The BMWi shares the assessment of the Monopoly Commission that the competition intensity has so far been low on the markets for local calls and subscriber lines. The alternative access technologies (wll, DECT, xDSL, broadband cable), together with a rise in demand for broadband network provision and the possibility to access the subscriber line of Deutsche Telekom, have the potential to perceptibly intensify competition. But this also requires regulatory measures.

**Ad numbers 70 and 73:** The BMWi agrees with the assessment of the Monopoly Commission that the market for long-distance and international calls is characterised by greater competition intensity than the market for local calls, largely due to regulations. But unlike the Monopoly Commission, the BMWi believes that competition on certain markets is already functioning. In these cases, the Telecommunications Act (TKG), pursuant to which regulatory measures usually depend on the existence of market-dominating positions, provides for an automatic reduction of regulations.

**Ad numbers 74 and 75:** The BMWi shares the opinion of the Monopoly Commission that an ex-ante regulation of the upstream markets is necessary as long as alternative carriers depend on the network infrastructures and other essential services of Deutsche Telekom. The BMWi, however, supports the idea that the interconnection obligation should **in the medium term** continue to exist only for market-dominating enterprises, accompanied by the respective amendment of the Telecommunications Act, in order to avoid overregulation. But special rules for subscriber network operators (fixed network and mobile communications) are also necessary.

**Ad numbers 74 to 76:** Unlike the Monopoly Commission and the RegTP, the BMWi believes that the ex-ante regulation of final customer prices, at least with regard to business customers, can also be abolished **in the medium term** and be replaced by retrospective abuse control carried out by the RegTP. In this case, the ex-post abuse control, which is so far limited to the ex-

amination of hindering measures and discrimination, would have to be supplemented by the control of price levels.

**Ad number 77:** Although the risk of abusive price levels has become insignificant in large parts of the markets as regards international and long-distance calls due to the great competition intensity, the BMWi also thinks that contestable markets do not yet exist in this field, since the pre-conditions underlying this concept (no sunk costs; the established company can react to market entrances only with delays) are not fulfilled especially without regulations.

**Ad number 78:** The BMWi at present sees no need for action regarding the framework conditions for the regulation of charges. Within the framework of the application of the rules, it must, however, be ensured that the scope of action of enterprises is restricted only as far as absolutely necessary. The built-in flexibility provided for in the Telecommunications Act presupposes that markets are adequately delimited in terms of contents and geography. Cf. also the remarks on numbers 74 to 76.

**Ad number 79:** The BMWi regards modified, sector-specific regulation that is adjusted to the competition development rather than the exclusive application of the general competition law as medium-term alternative to sector-specific regulation. In the long term, however, this sector must also be subject to general competition law. Against this background, the BMWi regards its proposals made with regard to numbers 74 to 76 as adequate.

### **3. Short-term need for action**

**Apart from the measures that are necessary in the medium-term, the BMWi believes that action is required also in the short term in order to make full use of the potentials of the telecommunications market. The BMWi proposes the following measures:**

**a) Market delimitation:** Due to the market conditions on various upstream and final user markets, the BMWi regards a stricter delimitation especially of markets that are relevant in geographical terms as necessary. The BMWi suggests that the RegTP should elaborate, in agreement with the Federal Cartel Office, - regardless of specific proceedings and in accordance with European rules – principles for the delimitation of telecommunications markets (upstream and final user markets, incl. mobile communications) both in terms of contents and geography. The Mo-

nopoly Commission also points out (numbers 11 and 12 of the Expert Report) that due to the differing competition conditions in the various regions it is necessary to delimitate the markets in order to be able to better evaluate the developments of the market shares on the markets that are relevant with regard to contents and geography.

**b) Optimisation of regulation procedures:** The work of the RegTP has created the basis for intensive competition on the German telecommunications market. In order to further enhance the transparency and the reliability of regulation decisions, the BMWi believes that it is necessary that the RegTP – like the British and American regulatory authorities – should to a greater extent than so far publicly discuss fundamental aspects (e.g. collection, cost-price gap) on the basis of fundamentals, taking account of the present and future market developments.

**c) Extended validity of licences:** In order to avoid unnecessary costs related to regulation especially to the detriment of the market and Deutsche Telekom, the RegTP should fully exhaust its legal possibilities with regard to the period of the validity of licences.

**d) Definition of essential services:** In view of the central role of the rules on special control of abuse and interconnection, the legal certainty on the market as well as the transparency of regulatory decisions should be as great as possible. Therefore, the BMWi suggests that both the services that are to be classified as essential pursuant to section 33 of the TKG and the services that are to be rendered within the framework of interconnection are listed in a catalogue by the RegTP, published for comments and regularly updated.



## **Annex**

### **Summary and recommendations of the Monopoly Commission\***

70. Nearly two years after the complete liberalisation of telecommunications in Germany, functioning competition on the markets for voice telephony in the fixed network does not yet exist. In the opinion of the Monopoly Commission, this applies to both the markets for local calls and subscriber lines and the markets for long-distance and international calls. So far the scope of action of the former monopolist Deutsche Telekom AG is not sufficiently controlled by structural competition.

71. Competition intensity on the markets for local calls and subscriber lines has been low so far. On the basis of an almost unchallenged infrastructure monopoly, Deutsche Telekom AG continues to have a dominating market position both as regards local calls as well as subscriber lines. Alternative offers of new carriers have so far been limited to conurbations and usually to business customers. Private customers continue to be largely excluded from competition.

72. In the opinion of the Monopoly Commission, there are three main reasons for the lack of competition concerning local networks. First the market entry costs. Due to necessary investments in network connections and the cost- and time-consuming acquisition of customers, they are much higher for local networks than on the market for long-distance calls. In addition, Deutsche Telekom AG as the dominating operator of subscriber lines is in a position to influence the costs of the market entry of new providers. Especially since it determines the modalities of switching. The incentive to make use of such potentials to hinder competitors is great. Their existence is already a deterrent for potential new providers. Second, the price of unbundled access to the subscriber lines restrains competition. According to a decision taken by the Regulatory Authority, it is higher than the charge that final users pay to Deutsche Telekom for network access. Market entries of new providers are not prevented by that fact, but they tend to be made more difficult. Third, there are at present no alternatives to the existing telecommunications network to offer voice telephony services in the fixed network. Alternative access technologies such as the wireless local loop, the use of electricity networks and the existing television cable network as access to the end user will only in the medium and long term contribute to an intensi-

fication of competition in the local network. In the short term, the potential impact on competition is also very small as long as the technical and economic prospects of these technologies are uncertain.

73. From the Monopoly Commission's point of view, there is so far no functioning competition without regulation on the markets for long-distance and international calls. The competition intensity is perceptibly greater on these markets than in the local network, but only primarily due to regulation. The basic provisions of the Telecommunications Act, namely the rules on the choice of the core network operators and on interconnection as well as the early decision of the regulator regarding interconnection charges, have a great impact on the market development. The resulting competition has no structural basis and thus is not secured. Its intensity depends on the continuation of regulation. In spite of its market share losses in the initial phase of competition, Deutsche Telekom AG continues to have a market-dominating position on the markets for long-distance and international calls. Apart from the market shares that are still high, this is also reflected by other criteria such as the financial power or the privileged access to procurement and sales markets. This is added by the omnipresence and the dominating position of Telekom on all upstream and final user markets of fixed network telephony. It lost market shares in the fields of long-distance and international calls especially in the first year of competition. It would have been possible to restrict these losses if Telekom had earlier reacted to the price competition. Since it has cut its tariffs for long-distance calls, it has controlled the market also because the scope for more competition is becoming smaller as the difference between final user prices and interconnection charges is diminishing. Thus the competitive edge of call-by-call providers no longer exists. „Their“ customers may return to Telekom. Owing to its collection function, Telekom continues to be in contact with the customers and have detailed information about the market which it uses when facing its competitors. Besides, only a few companies exert a sustained competition pressure on Deutsche Telekom AG. These companies have decided to create an alternative, possibly nation-wide infrastructure and have succeeded in gaining business and regular private customers. Providers without networks of their own, without an established clientele worth mentioning and with a limited range of products are getting under increasing pressure as the market develops. If they do not succeed in purchasing transmission networks and in expanding in order to compensate for falling margins, they will very rapidly be forced to exit the mar-

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\* Monopoly Commission, Special Expert Report 29: „*Wettbewerb auf Telekommunikations- und Postmärkten?*“ („Competition on Telecommunications and Posts Markets?“), Baden-Baden 2000, p. 51 ff.

kets. The impact in terms of competition of the current consolidation process on the telecommunications markets is not yet foreseeable.

74. The legislator has provided for sector-specific regulation in the field of telecommunications, especially the regulation of charges, as a transitional concept. It is no longer necessary as soon as competition is functioning on the telecommunications markets. This is not yet the case. The Monopoly Commission believes that considerations to partly or fully exempt the former monopolist Deutsche Telekom AG from regulation are premature. In its opinion, the ex-ante regulation of charges both on the upstream and the final customer markets of fixed network telephony continues to be necessary.

75. The regulation of the mostly monopolised upstream markets is indispensable as long as alternative carriers exclusively depend on the network infrastructures and other essential upstream services of Deutsche Telekom AG. This applies in particular to access to interconnection services. They are the major cost factor for the new providers. Abolishing the ex-ante control of these and other upstream charges would enable Telekom to considerably influence the cost structures of its competitors.

76. The preventive regulation of charges on the final customer markets should under the present conditions avoid cross subsidisation and price dumping that restrain competition. Such strategies aim to crowd out and discipline existing competitors and hinder the market entry of potential new competitors. The incentive for market-dominating companies to make use of such hindering potentials is great. Efficient control is difficult since optional tariffs, discounts and similar means offer various possibilities to conceal price dumping. Therefore the Monopoly Commission at present regards it as indispensable to maintain the regulation of final customer prices in addition to the regulation of charges on the upstream markets as a „safety network“.

77. The objection that the regulation of the final customer markets was inefficient since the markets for long-distance and international calls were „contestable“ as defined by economic theory is not justified. According to this concept, price dumping strategies are irrational because after the successful crowding-out of existing competitors the price-fixing scope of the company which dominates the market is efficiently controlled by potential competition. This is not the case on the markets for long-distance and international calls. The conditions of the contestability of a market pursuant to the theoretical concept – largely free entry and exit of a market, delayed

possibilities of the company dominating the market to react to market entries – are not really fulfilled without regulatory measures.

**78.** At present the Monopoly Commission sees no need for action as regards the regulation of charges. In view of the risks for the further development of competition on the telecommunications markets, this instrument is for the present indispensable. Besides, the Telecommunications Act establishes a link between the regulation of charges and the existence of a market-dominating position. If the latter does not exist, regulation automatically does not take place. Thus an amendment of the Act is not necessary.

**79.** The application of the general competition law would be the alternative to the sector-specific regulation of charges. The control of abusive pricing practices under cartel legislation concerning interconnection charges is connected with conceptual problems and often enforceable only within the framework of lengthy proceedings. This would face the competitors with considerable uncertainties and jeopardise the development towards functioning competition.